

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 04 LAGOS 000629

SIPDIS

E.O. 12958: DECL: 04/26/2015

TAGS: [ECON](#) [SOCI](#) [PGOV](#) [NI](#)

SUBJECT: NIGERIA'S UNEMPLOYMENT: A SILENT EMERGENCY

Classified By: Consul General Brian Browne for reasons 1.4 (b) and (d)

11. (C) Summary: According to the GON Federal Office of Statistics (FOS), Nigeria's unemployment rate for 2003 was 14.8 percent. (Note: Statistics have not been released for 2004. End note.) The actual unemployment rate likely is considerably higher than what FOS reports. Nigeria's informal sector further masks chronic unemployment and underemployment which contribute to the country's extremely skewed income distribution and have harsh social, economic and political effects. GON-sponsored employment programs are anemic and have registered scant progress. Organized labor has the potential to lobby for stronger employment policies has confined its energies to preserving the prerogatives of those already employed. If fully implemented, the poverty-eradication themed National Economic Empowerment and Development Strategy (NEEDS), drafted by the GON in 2004, holds promise for a real impact on unemployment. End summary.

UNEMPLOYMENT STATISTICS DO NOT TELL THE FULL STORY

12. (C) Unemployment figures for Nigeria are difficult to obtain and, when acquired, almost wholly unreliable. Estimates of Nigeria's labor force range from 35 to 66 million people (2000). The Federal Office of Statistics (FOS) cites a 14.8 percent unemployment rate for 2003, independent estimates vary from 20 to 40 percent. The public sector (at all levels of government) is believed to account for up to 50 percent of the formally employed. Further, unemployment figures should be interpreted with caution because of the magnitude of underemployment and the informal sector. While some workers in the informal sector may be doing well and working regularly, indications are that for most laborers in this sector, work is erratic and low-paying. What is clear: unemployment, underemployment, and low-paying informal sector work are factors causing Nigeria's poverty, estimated to be among the worst in sub-Saharan Africa.

HIGH DEPENDANCY RATES; WOMEN PARTICULARLY IMPACTED

13. (U) Few jobs existed in Nigeria after four decades of military rulers and government improprieties scared off private sector employers. Today, ineffective government programs leave the unemployed and underemployed without a social safety net against poverty, while family and community networks attempt to bridge the gap. Traditional family culture obligates breadwinners to support those without income. Large families, including parents, numerous brothers and sisters, even aunts and uncles, often rely on one breadwinner's income for payments of school fees, funeral costs, medical emergencies and, in some cases, regular monthly allowances. As a Yoruba tribe adage has it, "With one rich person amidst nine paupers, you have ten paupers". And as incomes grow, so do family demands.

14. (U) Unemployment and underemployment may impact women more than men in Nigeria. According to FOS statistics, one-third of Nigeria's unemployed are female. The United Nations Development Programme (UNDP) figures show females make up of 56 percent of Nigeria's economically active population. Yet, female annual earned income in Nigeria is estimated to be USD 562 compared to USD 1322 for males. The income disparity is partly due to the differing types of work females and males undertake in Nigeria. In rural areas, traditional gender roles have women working in non-cash producing activities such as caring for the family and home, and sustainable agricultural activities. In urban areas, women are more likely than men to work in the informal economy as cooks, market traders, or hair dressers, for example, which allows flexibility to take care of the family but generates less income than if working in the formal sector. Women working in the formal sector in Nigeria have less job mobility than men. In the banking sector, for example, of 89 commercial banks only three have female Managing Directors -- two of those women have family connections to the banks' executives or directors. Family demands on female income can be more than that of their male counterparts. Perception is that male family members provide for living expenses while female family member income is disposable. Since female income is not perceived to contribute to the sustainability of the family, female income is more susceptible to the "family tax".

LOST RESOURCES - LOWER PRODUCTIVITY AND HIGHER CRIME

15. (U) Each unemployed and underemployed Nigerian represents lost productivity and missed economic development. In the face of Nigeria's low manufacturing and agricultural output, few exported products, and crumbling infrastructure, there are latent employment opportunities. The magnitude of lost take-home pay due to unemployment and underemployment has depressed Nigeria's consumer market.

16. (U) Illegal businesses look attractive to Nigerians who are at a loss for legitimate revenue-producing activities. Nigeria cultivates international financial fraud ("advanced fee fraud" or "419"), drug-ring, and illegal oil bunkering criminals. 419 criminals, who use computer skills and the Internet to scam unsuspecting recipients out of billions of dollars each year, display Nigeria's lack of opportunities for the skilled and technologically savvy. In 1999 alone, US victims reported losses of several hundred million dollars to advance fee frauds, according to US law enforcement. The Secret Service has reported receiving approximately 100 calls

SIPDIS
and 300 to 500 pieces of correspondence per day from potential victims. Though no recent statistics are available on the magnitude of the drug trade through Nigeria, a 2001 U.S. Department of Justice report stated Nigerian drug traffickers dominate the African drug trade, and that Nigeria is a trafficking point for drugs to the U.S. Illegal oil bunkering estimates are not entirely verifiable, but 60,000 to 100,000 barrels of oil is believed to be diverted from official exports per day. Violent crime, usually blamed on idle, poverty-stricken youth, ranks Lagos and Port Harcourt two of the most dangerous cities in the world.

...AND POLITICAL INSTABILITY

17. (C) In Nigeria the middle class is small, leaving most income distributed between the masses of poor and unemployed, and a handful of the wealthy elite. Nigeria's 2003 GDP per capita is estimated at only USD 900, but this number hides income disparity. According to UNDP, Nigeria's poorest 10 percent control less than two percent of income, and the poorest 20 percent hold less than five percent of income. Meanwhile, the richest 20 percent of Nigeria's population control 56 percent of total income. Social inequality and income distribution disparities are sources of resentment that contribute to political instability.

18. (U) Already the Niger Delta region's ongoing struggle between jobless local communities and wealthy oil companies shows the effects of economic striation in stark terms. The 2.2 million barrels of oil pumped from the Delta region each day make up about 90 percent of Nigeria's foreign income. Yet the region is mired in poverty. Seven of the nine Delta region states (Abia, Akwa Ibom, Bayelsa, Cross Rivers, Delta, Imo, and Rivers) have unemployment levels among the nation's top 10 states. Inter-communal violence is common and results from impoverished communities vying for scarce, trickle-down resources from the oil industry. The oil industry is an easy target of violence, kidnapping, sabotage, seizure of facilities, and disrupted production. Local communities also suffer; from 2003 to 2005 estimated violent deaths in the region totaled well over several hundred. Unemployment is a destabilizing factor given the Delta's already poor social conditions and intercommunal tensions.

GON UNEMPLOYMENT PROGRAMS SHOW MEAGER RESULTS

19. (U) The National Directorate of Employment (NDE), a GON agency with a modest budget of naira 566 million (USD 4.3 million) in 2004, spearheads GON efforts to combat unemployment such as the Small Scale Enterprises Programme and Rural Employment Promotion Programme. The National Manpower Board, National Poverty Eradication Programme (NAPEP), Poverty Reduction Strategy Programme (PRSP), National Poverty Eradication Council (NAPEC), Agricultural Development Projects (ADP), and Better Life Program for rural women make up other GON unemployment programs. These programs have had little impact on the Nigerian unemployment problem.

110. (SBU) During a recent visit to the Lagos liaison office of the NDE, the lone NDE representative had no information regarding available employment-promotion programs or unemployment rates. He claimed the office was gutted by fire in early 2004; furniture and office supplies have yet to be replaced. At a separate meeting with the Manpower Board office in the same building, the director presented 1998 data, but only after receiving the approval of the head office in Abuja.

111. (SBU) Lagos State NDE offices look more business-like, though also dilapidated. Workers attend to clients inquiring about programs. Though statistics were "not available," an

official said the Directorate has success stories, mostly through its Small and Medium Scale Industry Development program. Participants benefit from training in candle-making, soap and detergent-making, foundry work and metal fabrication, fashion design and tailoring, as well as furniture and cabinetmaking. Under the GON's job creation loan guarantee scheme, participants are encouraged to apply for small loans ranging from 5,000 to 50,000 naira (USD 38.00 to USD 376.00), to be repaid over a five-year period at a fixed interest rate.

12. (C) There are few figures on the results of the GON's programs to combat unemployment. The NDE reported in January 2005 it had "engaged" 2 million youth since its inception in 1986. (Note: Youth under age 25 are estimated to be 32 percent of the unemployed. End note.) According to the Federal Office of Statistics, the country's annual unemployment rates remained fairly consistent from 1999 to 2003, fluctuating only by a few percentage points. (Comment: The GON programs to alleviate unemployment are relatively empty shells. The problem is enormous, but few resources are allocated to it. The NDE, the cornerstone of the GON's unemployment solution, has severely limited resources, and appears to create jobs only for the people who work for the Directorate itself. The scant funding programs do receive is further reduced by corruption. Mismanagement, political party and institutional rivalries, lack of long-term planning for program sustainability, and inefficiency also create implementation hurdles. End comment.)
LABOR UNIONS BUSY WITH OTHER (IMPORTANT) THINGS; SME AND MICRO-CREDIT NGOS ACT

13. (U) Nigeria's two influential labor umbrella organizations, National Labor Congress (NLC) and Trade Union Congress (TUC), and their combined 47 affiliated labor unions have the potential to lobby for stronger employment policies but they have not done so. The NLC acts more like a popular movement on wider social matters than like a labor union. For example, the NLC has successfully led strikes to reduce fuel price hikes that result as fuel price subsidies are reduced under President Obasanjo's economic and downstream oil sector reform initiatives. While the NLC has a stated ideology that unemployment should be low, they have undertaken no activities to shape employment policies at the national or state level.

14. (U) Small- and medium-sized enterprise (SME) non-governmental organizations (NGOs) and micro-credit NGOs in Nigeria are playing a positive role by creating jobs, albeit on a small level compared to the potential impact of GON activities. The Growing Businesses Foundation (GBF) helps SMEs across twelve states by linking informal sector producers with formal sector markets, networking opportunities, grantmaking to microcredit organizations, and training programs. One GBF program linked 30 women in rural Kwara state with Nigeria's largest mobile telecom services provider, MTN Nigeria. The previously unemployed women were trained to operate MTN mobile phone kiosks in their communities where no phone service existed. The Lift Above Poverty Organization (LAPO) is another successful NGO focusing on microcredit financing for small projects. In 2004 LAPO had about 30,000 clients across Nigeria. Typical clients are poor farming women or tailors whom LAPO assists with loans equivalent to as little as USD 50.

15. (U) The GON Small and Medium Industries Equity Investment Scheme (SMEIS) was established to provide microcredit and support. Part of the SMEIS plan is for Nigeria's banks to set aside 10 percent of their profits before tax for investment in SMEs. Thus far, the program has been held back by accusations of misallocated funds. NGOs such as LAPO remain cautiously optimistic that SMEIS and other programs will eventually benefit Nigeria's unemployed.

COMMENT

16. (U) Comment. President Obasanjo has attempted to address unemployment systematically through his National Economic Empowerment and Development Strategy (NEEDS) and State Economic Empowerment and Development Strategy (SEEDS) initiatives; and the National Assembly through budgetary support of GON programs. Even in these policies, however, urban unemployment tends to be overlooked as the GON supports mostly agricultural development.

17. (C) Comment continued. NEEDS and SEEDS could put a dent in the country's unemployment rate if only they maintain momentum and muscle. Transparency & anti-corruption are the first steps to successful implementation and the current administration should be sure that is entrenched at the state and national levels. Success may rest on how much of this can be accomplished by the next GON administration, in the case that the reforms lose clout with a new government. Both NEEDS and SEEDS endorse support for SMEs, though support has

yet to translate into concrete results. The GON, on the other hand, may best serve unemployed Nigerians by making the Nigerian business environment an attractive one for foreign and national businesses to invest, thereby creating jobs. The NEEDS initiative also addresses this, stating a commitment to privatization, liberalization, and infrastructure development. While we are seeing some progress towards NEEDS implementation, none has yet had a serious effect on unemployment.

18. (C) Comment continued. In the city streets, where unemployed youth loiter and congregate, employment rates become more than numbers. Unemployment becomes the flashpoint for crime, social tensions and all varieties of extremism. Unemployed youth in the Delta region are more apt to join or sympathize with militias there. Unemployed Northerners are more prone to listen to militant clerics. In the East, the secessionist organization MASSOB has the empathy of the poor and unemployed in that densely populated section of the country. When it climbs above a certain rate, unemployment may become more a social and political problem than a purely economic one. In most of the country's cities, there is a strong undercurrent of dissatisfaction and much of these come from the legions of unemployed and underemployed persons who daily witness the gap between themselves and the country's super-elite.

19. (C) Comment continued. Unemployment is not a primary focus of discussions about Nigeria's security, but this is one of the problems threatening Nigeria's core stability over the long haul. Oil-rich Nigeria is one of the world's poorest 20 countries per capita, with 70 percent of its population living on less than one dollar per day. In paying inadequate attention to employment and job creation, Nigeria will stifle its growth and economic development, while allowing an element of instability to fester. End comment.

(U) AmEmbassy Abuja contributed to and cleared this cable.
BROWNE